

## Chapter 8 Commitments

### 8-1. General

Commitments are administrative reservations of funds based on firm procurement directives, orders, requests, or equivalent instruments that authorize the creation of obligations without further approval by the official responsible for certifying the availability of funds. Issuing a commitment authorizing obligations in excess of a formal subdivision of funds could result in an antideficiency violation of 31 U.S.C., Sections 1341 or 1517. Commitment accounting is required for all appropriations. This includes expired appropriations. While commitment reporting may not be required, commitment accounting is required without exception. Initiations are similar to commitments since they are an administrative reservation of funds based upon procurement directives, requests, or equivalent instruments. They allow for preliminary negotiation of procurement actions but require certification of fund availability before incurring commitments/ obligations. Enter initiations into memorandum accounts to help keep pre-commitment actions within the available subdivision of funds. Initiations are not part of the official accounting requirements. However, officials who require initiation accounting will ensure that the procedures and practices are necessary and cost effective.

### 8-2. Professional requirements

To ensure proper administration and control of the commitment/obligation cycle, accountants and fund control officers will be familiar with:

- a. The effect of commitments on over-obligation of funds and potential antideficiency violations.
- b. The rules for recording commitments.
- c. Commitment documents.
- d. The role of commitments in centralized and decentralized fund control.
- e. Commitments for contingent liabilities.

### 8-3. Responsibilities

Fund control officers are responsible for ensuring that --

- a. Reviews of commitment files are made on a regular basis, at least monthly.
- b. Reduce/cancel commitments that are invalid or will not be obligated to make funds available prior to the appropriation expiration. Retain funds available in expiring appropriations for contingencies that may require later obligation. It is not necessary to retain funds for all contingencies, but retain enough to assure over-obligations are not incurred. When funds are committed for a contract and a bid protest is filed with General Accounting Office (GAO) before the contract is awarded, retain the amount committed under protest on the books at fiscal year-end and footnote the appropriate financial reports and

statements. See Chapter 9 for the obligation rule related to resolution of protests filed with GAO.

### 8-4. Recording commitments

#### a. Rules.

(1) Commit funds for goods, supplies, or services required to meet only bona fide needs of the period for which the funds were appropriated, or to re-place stock used in that period. Consider estimated current consumption, procurement lead time, and authorized stock levels.

(2) Commit funds for contingent liabilities. (Such as, settlements of contract disputes, bid protests, or in-scope changes.) An exception to this policy is granted only for situations in which the U.S. Army Corps of Engineers (USACE) performs construction, maintenance, and repair projects on a reimbursable basis. In these cases, the amount cited on the reimbursable order will include an amount to keep unforeseen contingencies from stopping work while additional funds are obtained. See Chapter 9 for obligation rules related to this policy.

(3) Do not commit an approved procurement program or operating budget that requires specific directives, orders, or requests to procurement officers. (For example, informal request for bids.) A directive to start procurement is not a commitment if it requires additional funding approval by the person responsible for administrative control of funds before incurring the obligation.

(4) Do not commit funds for potential termination charges on multi-year contracts with a special termination clause (Defense Federal Acquisition Regulation Supplement (DFARS) 52.249-7000)).

(5) Reduce outstanding commitments when the items for which they exist are obligated.

(6) Cancel outstanding commitments when committed funds expire for obligation unless specifically justified for retention. (For example, a cost-plus-award fee contract for which the award will not be determined until after the end of the FY to which the award applies.)

#### b. Determining amounts of commitments.

(1) Base amounts on activity's estimates.

(2) Include in contingent liabilities, estimates for--

(a) Fixed-price contracts with escalation, price redetermination, or incentive clauses.

(b) Contracts authorizing variations in quantities to be delivered.

(c) Contracts on which allowable interest may become payable by the U.S. Government for contractor claims supported by written appeals per the "disputes" clause in the contract (authorized by Federal Acquisition Regulation (FAR) 52.233-1).

(3) Consider contingencies for downward price revisions or quantity shortfalls rather than the maximum or ceiling prices for the contracts.

(4) Estimate and post contingent liabilities in bulk under one distribution of funds as a single

commitment item or subsidiary account rather than for each outstanding contract.

c. *Records.* Keep detailed, auditable, and verifiable records of commitments incurred and outstanding. Show the specific amounts for each contract or order authorized to be placed, except as provided in subparagraph b above.

### **8-5. Commitment documents**

a. *General.* A commitment document is an order form used to ensure that funds are available prior to incurring an obligation. Commitments may be accomplished using DA Form 3953 (Purchase Request and Commitment) or similar documents having the effect of a firm order or authorization to enter into an obligation.

b. *DA Form 3953.*

(1) The purpose of this form (see Figure 8-1) is to provide --

(a) A document that evidences the first step in the procurement process and provides all interested individuals a means for review before actual purchase negotiation.

(b) A document for the fund control officer to use for approving the availability of funds and the correctness of the accounting classification.

(c) A document to show the commitment of funds.

(d) A worksheet for recording technical requirements information that is necessary for procurement actions.

(e) Space for maintenance of obligation record in case partial obligations are involved.

(2) The initiating office completes the form in as many copies as necessary to satisfy local requirements. The form will show --

(a) Requisition number and date.

(b) Explanation of the necessity for local procurement.

(c) Description and quantity of items requested.

(d) Signature and title of initiating officers and authorized approving officer.

(e) Funds authorized for use and certification of fund availability.

(3) On the reverse side of the DA Form 3953 the upper part of the form is designed for maintaining a record of obligations incurred and determining the balance of the unobligated commitment when partial obligations are involved. The form will show the following:

(a) The amount committed. If applicable, show foreign currency conversion rate and foreign currency amount.

(b) The date, block ticket number, and the standard document number for each obligation.

(c) The amount of each purchase order, contract, or other obligation document related to the commitment.

(d) The unobligated balance of the commitment.

(e) Any remarks necessary for administrative control of the transaction or activities in connection with the commitment.

(4) The bottom part of the DA Form 3953 is designed for the contracting officer to record procurement data.

(5) If a continuation page is required for DA Form 3953, use OF 336 (Continuation Sheet). If OF 336 is not available through distribution channels, use plain white bond paper with the appropriate headings and reference numbers, and properly number all continuation pages.

### **8-6. Commitment registers**

a. As a minimum, commitment registers will provide for the recording of the following:

(1) Date of transaction,

(2) Standard document number,

(3) Obligation and expense target,

(4) Commitment amount,

(5) Adjustments, and the

(6) Uncommitted balance (**NOTE:** This amount will not have a negative balance).

b. Reconcile all commitment registers to automated accounting systems at least monthly. Weekly reconciliation may be easier, depending on the system being used.

c. Control and number commitment documents as directed by the servicing finance and accounting office (FAO)/defense accounting office (DAO).

**Figure 8-1. Completion instructions for DA Form 3953.**

| <b>Block Description</b>  | <b>Content Description</b>   |
|---|--|
| Purchase instrument number.   | Standard Document Number   |
| Requisition number  | Developed per local procedures   |
| Date  | Date of requisition  |
| Thru:   | Name/address of approving authority, follow local procedures   |
| From:   | Name/address of ordering organization  |
| Local purchases authorized... & Requisitioning discloses...   | Check appropriate block and complete   |
| Item, Description, Quantity, Unit, Unit Price, and Total Cost   | Ordering information: by item number, describe the item/service requested including quantity, number of units, unit price, and total cost. |
| Accounting Classification and Amount  | Self explanatory   |
| Typed Name & Title of Certifying Officer  | Self explanatory   |
| Signature   | Signature of Certifying Officer  |
| Discount Terms  | From contract or other procurement document  |
| Purchase Order No.  | Self explanatory   |
| Delivery Requirements   | Delivery schedule or other requirements from contract  |
| The Foregoing Items...  | Purpose of purchase, follow local procedures   |
| Date, Typed Name and Grade of Initiation Officer, and Signature   | Date signed, other data is self explanatory  |
| Date, Typed Name and Grade of Suply Officer, and Signature  | Date signed, other data is self explanatory  |
| Date, Typed Name and Grade of Approving Officer or Designee, and Signature  | Date signed, other data is self explanatory  |
| <b>(Note: Reverse side of DA Form 3953 is designed for maintaining a record of obligations and a record procurement data. Ensure "standard document number" is placed either on this side or at the very top front of this form.)</b> |  |

|   |  |           |      |  |            |   |   |  |  |                      |  |
|---|--|-----------|------|--|------------|---|---|--|--|----------------------|--|
| <b>PURCHASE REQUEST AND COMMITMENT</b><br>For use of this form, see AR 37-1; the proponent agency is DFAS-IN  |  |           |      | PURCHASE INSTRUMENT NO.  |            | REQUISITION NO.   |   | DATE<br>18 NOV 94  |  | PAGE 1 OF<br>1 PAGES |  |
| TO: Purchasing and Contracting Officer  |  |           |      | THRU: DIS  |            |   |   | FROM: SUPPLY AND STORAGE   |  |                      |  |
| The supplies and services listed below cannot be secured through normal supply channels or other Army supply sources in immediate vicinity, and their procurement will not violate existing regulations pertaining to local purchases for stock, therefore local procurement is necessary for the following reason (check appropriate box and complete item.) |  |           |      |  |            |   |   | NAME AND TELEPHONE NO. OF PERSON TO CALL FOR ADDITIONAL INFORMATION<br>I. N. NEED EXT. 3229  |  |                      |  |
| LOCAL PURCHASES AUTHORIZED AS THE NORMAL MEANS OF SUPPLY FOR THE CODE   |  |           |      | REQUISITIONING DISCLOSES NONAVAILABILITY OF ITEM AND LOCAL PURCHASE IS AUTHORIZED BY |            |   |   | Fund Certification<br>The supplies and services listed on this request are properly chargeable to the following allotments, the available balances of which are sufficient to cover the cost thereof, and funds have been committed. |  |                      |  |
| EMERGENCY SITUATION PRECLUDES USE OF REQUISITION CHANNELS FOR SECURING ITEM   |  |           |      |  |            |   |   |  |  |                      |  |
| ITEM  | DESCRIPTION/SOURCE OF SUPPLY OR SERVICES   | QUANTITY  | UNIT | ESTIMATED  |            | ACCOUNTING CLASSIFICATION AND AMOUNT  |   |  |  |                      |  |
|   |  |           |      | Unit Price   | Total Cost |   |   |  |  |                      |  |
| 1   | REQUEST MODIFICATION TO CONTRACT DABT15-88-M-4000 TO REPAIR 3 SELF CONTAINED BREATHING APPARATUS REGULATORS. |           | ea   | \$76.96  | \$230.88   | 2152020 0000 0 50 1000 940000000000 2572 000000<br>ABCD00000153C47 000000 S13102 \$230.88   |   |  |  |                      |  |
|   |  |           |      |  |            | TYPED NAME & TITLE OF CERTIFYING OFFICER<br>BUCK A. PLENTY<br>MAJ, FC, FAO 18 NOV 90  |   |  |  | SIGNATURE            |  |
|   |  |           |      |  |            | DISCOUNT TERMS  |   |  |  |                      |  |
|   |  |           |      |  |            | PURCHASE ORDER NO.  |   |  |  |                      |  |
|   |  |           |      |  |            | DELIVERY REQUIREMENTS<br>ARE MORE THAN 7 DAYS REQUIRED TO INSPECT AND ACCEPT THE REQUESTED GOODS OR SERVICES:<br>YES ___ NO ___<br>IF YES, NUMBER OF DAYS REQUIRED _____. |   |  |  |                      |  |
| THE FOREGOING ITEMS ARE REQUIRED NOT LATER THAN AS INDICATED ABOVE FOR THE FOLLOWING PURPOSE  |  |           |      |  |            |   |   |  |  |                      |  |
| DATE  | TYPED NAME AND GRADE OF INITIATION OFFICER   | SIGNATURE |      |  |            | DATE  | TYPED NAME AND GRADE OF APPROVING OFFICER OF DESIGNEE | SIGNATURE  |  |                      |  |
| 18 NOV 94   | I. N. NEED, GS-11<br>TELEPHONE NO.   |           |      |  |            | 18 NOV 94   | O. N. TOPP<br>LTC, EN<br>DIS                          |  |  |                      |  |
| DATE  | TYPED NAME AND GRADE OF SUPPLY OFFICER   | SIGNATURE |      |  |            |   |   |  |  |                      |  |
| 18 NOV 94   | Warran Peace, Cpt.   |           |      |  |            |   |   |  |  |                      |  |

DA FORM 3953

PREVIOUS EDITIONS OF THIS FORM WILL BE USED UNTIL EXHAUSTED.

Figure 8-1. Sample DA Form 3953, Purchase Request and Commitment